

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF GRAYSON COUNTY WATER) CASE NO.
DISTRICT TO REVISE ITS WHOLESALE RATE) 2017-00379

ORDER

On August 24, 2017, Grayson County Water District (“Grayson District”) filed a new tariff, designated “Revised Tariff Sheet No. 4,” to revise its wholesale rate to the city of Caneyville (“Caneyville”). Grayson District has proposed an effective date of September 24, 2017, for the revised wholesale rate to Caneyville. Grayson District also filed its purchased-water contract (the “Contract”) with Caneyville. The Contract authorizes Grayson District to assess a wholesale rate of \$3.076 per 1,000 gallons of water. The Contract further provided for an annual recalculation of the wholesale rate based upon an agreed formula and Grayson District’s cost of service for the prior calendar year. The Contract stated that “[t]his contract shall become effective immediately upon its approval by the Kentucky Public Service Commission and the United States Department of Agriculture (“Rural Development”).” As the contract was filed on August 24, 2017, the earliest possible effective date is September 23, 2017.¹ Commission Staff requested information during a teleconference on August 30, 2017, and confirmed its requests via electronic mail on August 31, 2017. A copy of the electronic mail and the Response sent by Grayson District, are attached as an Appendix to this Order.

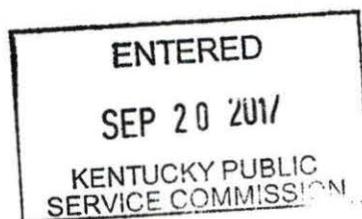
¹ When submitting this filing into the Commission’s electronic Tariff Filing System, Grayson District put September 24, 2017, into the proposed effective date field.

Having reviewed the Contract, the proposed tariff revision, and Grayson District's response to the August 30, 2017 request for information, we find that further proceedings are necessary to determine the reasonableness of the Contract and the proposed tariff revision, that these proceedings cannot be completed prior to the effective date of the proposed revision, and that the Contract and the proposed tariff revision should be suspended pursuant to KRS 278.190(2). The Commission will use its best efforts to expedite its review of the Contract and revision.

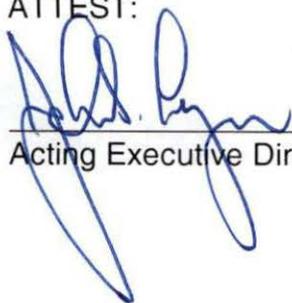
IT IS THEREFORE ORDERED that:

1. This proceeding is established to investigate the reasonableness of the Contract and proposed Revised Tariff Sheet No. 4.
2. Grayson District's Contract and proposed revision to its Wholesale Rates is suspended for five months from September 24, 2017, up to and including February 24, 2018.

By the Commission



ATTEST:



Acting Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00379 DATED **SEP 20 2017**



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September 8, 2017

VIA ELECTRONIC MAIL

Mr. John S. Lyons
Acting Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

Re: Grayson County Water District Tariff Filing 474

Dear Mr. Lyons:

This letter responds to the questions that were posed to Grayson County Water District in Commission Staff's electronic mail message of August 31, 2017 and in the telephone conference call of August 30, 2017

1. Grayson County Water District delivers water to Caneyville through 3 delivery points. These delivery points were metered by 2-inch meters. Pursuant to the Water Purchase Contract, these meters will be tested at Grayson County Water District's expense at least once every two years. This testing period accords with the requirements of 807 KAR 5:066, Section 16.

2. Regarding Paragraph 7(c) of the Water Purchase Contract, Grayson County Water District will provide at no cost a sufficient volume of water to flush the water mains leading to and beyond the delivery point to return the water at the delivery point to State and Federal free chlorine residual levels if water at the delivery point fails to meet those levels. The actual volume of water necessary to perform such flushing will be agreed upon by the parties to the contract. This volume of water will be considered as non-revenue water and will be treated in the same as water used in line flushing.

3. Paragraph 1 provides that Grayson County Water District will provide Caneyville a volume of water sufficient to meet its "normal daily usage." The parties have agreed that this amount is 125,000 gallons per day ("GPD"). This level of usage was based upon the average daily sale to Caneyville for the period from 2004 through 2016.

4. Regarding Paragraph 13 of the Water Purchase Contract, the parties have agreed to the appointment of an independent third party to assist the auditor in the event that the parties

cannot agree on the calculation or allocation of expenses when determining the annual adjustment of the contract rate. The Water Purchase Contract is silent on which party will assume the cost of the third party's used in calculating the adjusted rate. Grayson County Water District assumes that any costs related to the use of an independent third party will be shared costs and will be equally divided between the parties to the Water Purchase Contract.

5. Commission Staff has requested that Grayson County Water District provide the rate study to which Paragraph 6 of the Water Purchase Contract refers. No specific rate study, however, was prepared. No rate study exists. When they referred to "rate study" in Paragraph 6, the parties are actually referring to the table set forth in Paragraph 8 of the Water Purchase Agreement. This table shows how the components of the contract rate were determined. To assist the Commission Staff, these calculations are further explained below:

Water Treatment Plant Operations and Maintenance Expense. The sources for this expense are Grayson County Water District 2016 Annual Report, page 50 (Ref: Page 28) and Grayson County Water District 2016 Audit, page 4. This amount is divided by the total number of gallons of water produced as the Grayson County Water District Water Treatment Plant (2016 Annual Report, page 51 (Ref: Page 29)) to produce a cost per 1,000 gallons.

Supply and Pumping Expense. Total Supply and Pumping Expense (\$150,821) is found at page 4 of Grayson County Water District 2016 Audit. This amount is multiplied by 0.0543, which represents the portion of the Grayson County Water Treatment Plant that is dedicated to Caneyville (125,000 GPD ÷ 2,300,000 GPD), to produce \$8,197. When \$8,197 is divided by the total number of gallons of water produced as the Grayson County Water District Water Treatment Plant, Supply and Pumping Cost of \$0.038 per 1,000 gallons results.

Water Plant Original Debt Repayment. This amount represents 2016 debt service on Grayson County Water District's 2002 loan from the Kentucky Infrastructure Authority to finance the construction of its water treatment plant. As only 75 percent of the proceeds from this loan were used to construct the water treatment plant, only 75 percent of the loan's debt service is allocated to determining Caney wholesale rate ($0.75 \times \$238,628^*$). This amount (\$178,972) is multiplied by 0.05434783, which represents the portion of the Grayson County Water Treatment

* This amount includes the loan service fee that Grayson County Water District must pay annually to the Kentucky Infrastructure Authority as part of its loan agreement.

Plant that is dedicated to Caneyville (125,000 GPD ÷ 2,300,000 GPD), to produce \$9,727. It is then divided by the number of gallons of water that Caneyville purchased from Grayson County Water District in 2016 ((2016 Annual Report, page 55 (Ref Page 30)) to produce \$0.211 per 1,000 gallons component rate.

DBP Debt Repayment. This amount represents 2016 debt service on Grayson County Water District's Bonds Series 2013A and 2013B, whose proceeds were used make various improvements at its water treatment plant. The debt service on these bonds (\$54,300) is multiplied by 0.05434783, which represents the portion of the Grayson County Water Treatment Plant that is dedicated to Caneyville (125,000 GPD ÷ 2,300,000 GPD), to produce \$2,902. It is then divided by the number of gallons of water that Caneyville purchased from Grayson County Water District in 2016 ((2016 Annual Report, page 55 (Ref Page 30)) to produce \$0.063 per 1,000 gallons component rate.

Depreciation. This amount represents annual depreciation expense on Grayson County Water District's water treatment plant. Total depreciation expense of \$156,825 is obtained from current depreciation schedules. This amount is multiplied by 0.05434783, which represents the portion of the Grayson County Water Treatment Plant that is dedicated to Caneyville (125,000 GPD ÷ 2,300,000 GPD), to produce \$8,523. It is divided by the number of gallons of water that Caneyville purchased from Grayson County Water District in 2016 ((2016 Annual Report, page 55 (Ref Page 30)) to produce \$0.185 per 1,000 gallons component rate.

To assist Commission Staff in its review, I have enclosed a copy of the pertinent pages and schedules that are discussed above.

7. Commission Staff inquired as to whether Paragraph 13 would limit the parties' ability to ignore or contest before the Commission the decision of the panel performing the rate calculations. Grayson County Water District is not authorized to represent Caneyville's position on this issue and states only its position. The Commission has plenary authority over a utility's rates and service. Neither a utility nor any other person can bind the Commission by their agreement. Accordingly, Grayson County Water District is of the opinion that Paragraph 13 would not in any way bind the Commission from investigating or reviewing the contract rate or any proposed adjustment to the existing rate and, if the Commission found the contract rate or proposed adjustment to be unreasonable, from modifying that rate. While the Water Purchase Agreement does not expressly state, Grayson County Water District is of the opinion that should a party to the Water Purchase Contract seek relief contrary to the panel, the other party to the contract would have the right to assert Paragraph 13 as a defense to the claim for relief. The

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Commission would be the arbiter of such controversy. As noted above, the Commission possesses the statutory authority to review any rate notwithstanding the panel's decision.

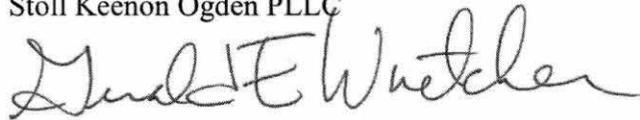
8. Commission Staff has inquired as to whether the parties to the Water Purchase Contract would add the following to Paragraph 13: "It is expressly acknowledged by the parties that a decision by the arbitrators is not binding on or limit[s] the jurisdiction of the Public Service Commission of Kentucky." Grayson County Water District's management intends to refer Commission Staff's proposed language to the Grayson County Water District's Board of Commissioners and the City of Caneyville for their consideration. It does not expect a decision prior to the proposed effective date for the contract. Please note, however, that Paragraph 15 of the Water Purchase Contract appears to already address this issue. It provides in pertinent part: "It is expressly acknowledged that the rates the District charges its customers for water sold by it are subject to the approval of the Kentucky Public Service Commission." The requested disclaimer appears to be unnecessary.

9. Commission Staff inquired about the configuration of Grayson County Water District's water distribution system. Grayson County Water District produces its own water and also purchases water from the City of Litchfield. The City of Caneyville is located on the portion of the water distribution system that is closed and receives its water completely from Grayson County Water District's water treatment plant. None of the water supplied to the City of Caneyville is purchased from the City of Litchfield. Moreover, the delivery points through which water is provided to the City of Caneyville are near Grayson County Water District's water treatment plant. As a result, little of the water distribution system is used to supply the City of Caneyville and very few of the costs associated with Grayson County Water District's water mains are allocated to the City of Caneyville.

Please contact me if Commission Staff has additional questions.

Very truly yours,

Stoll Keenon Ogden PLLC



Gerald Wuetcher

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Enclosures

1. Water Utility Expense Accounts (Ref Page: 28)
2. Pumping and Water Statistics (Ref Page: 29)
3. Statements of Revenues, Expenses and Changes in Fund Net Position
4. Sales for Resale (Ref Page: 30)
5. Long Term Debt (Ref Page: 22)
6. Bonds - Account 221 (Ref Page: 23)

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7. Schedule of Bond Maturities (Ref Page: 23)
8. Note E to 2016 Audit Report
9. Debt Service Payment Schedules
10. Depreciation Schedule

22000 Grayson County Water District 01/01/2016 - 12/31/2016

Water Utility Expense Accounts (Ref Page: 28)

	Current Year (c)	Supply and Exp- Op. (d)	Supply and Exp- Maint. (e)	Water Treatmt. Exp-Op. (f)	Water Treatmt Exp-Maint. (g)	Trans and Dist. Exp- Op (h)	Trans and Dist. Exp- Maint. (i)	Customer Accts Exp. (j)	Admin and Gen Exp.
Salaries and Wages-Employees (601)									
Salaries and Wages-Officers, Directors and Majority Stockholders (603)									
Employee Pensions and Benefits (604)									
Purchased Water (610)	\$374,437.00	\$372,054.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,383.00
Purchased Power (615)	\$131,890.00	\$33,182.00	\$0.00	\$96,513.00	\$0.00	\$2,195.00	\$0.00	\$0.00	\$0.00
Fuel for Power Production (616)									
Chemicals (618)									
Materials and Supplies (620)	\$191,904.00	\$5,086.00	\$0.00	\$120,942.00	\$0.00	\$5,366.00	\$0.00	\$34,683.00	\$25,827.00
Contractual Services - Eng. (631)									
Contractual Services - Acct. (632)									
Contractual Services - Legal (633)									
Contractual Services - Management Fees (634)									
Contractual Serves - Water Testing (635)									
Contractual Services - Other (636)	\$1,260,211.00	\$91,210.00	\$0.00	\$313,733.00	\$0.00	\$291,620.00	\$80,933.00	\$179,077.00	\$303,638.00
Rental of Bld./Real Property (641)									

22000 Grayson County Water District 01/01/2016 - 12/31/2016

Water Utility Expense Accounts (Ref Page: 28)

	Current Year (c)	Supply and Exp- Op. (d)	Supply and Exp- Maint. (e)	Water Treatmt. Exp-Op. (f)	Water Treatmt Exp-Maint. (g)	Trans and Dist. Exp-Op (h)	Trans and Dist. Exp- Maint. (i)	Customer Accts Exp. (j)	Admin and Gen Exp.
Rental of Equipment (642)									
Transportation Expenses (650)	\$43,419.00	\$13,026.00	\$0.00	\$4,776.00	\$0.00	\$17,481.00	\$1,984.00	\$5,284.00	\$668.00
Insurance - Vehicle (656)									
Insurance - General Liability (657)									
Insurance - Worker's Compensation (658)									
Insurance - Other (659)	\$33,685.00	\$7,717.00	\$0.00	\$8,656.00	\$0.00	\$8,656.00	\$0.00	\$0.00	\$8,656.00
Advertising Expenses (660)									
Regulatory Commission Exp.									
- Amortization of Rate Case (666)									
-Other (667)									
Water Resource Conservation Expense (668)									
Bad Debt (670)	\$11,839.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$11,839.00	\$0.00
Miscellaneous Expenses (675)	\$91,254.00	\$600.00	\$0.00	\$10,135.00	\$0.00	\$4,295.00	\$15,356.00	\$4,445.00	\$56,423.00
Total	\$2,138,639.00	\$522,875.00	\$0.00	\$554,755.00	\$0.00	\$329,613.00	\$98,273.00	\$235,328.00	\$397,795.00

22000 Grayson County Water District 01/01/2016 - 12/31/2016

Pumping and Water Statistics - part one (Ref Page: 29)

	Water Purchased For Resale (Omit 000 s) (b)	Water Pumped from Wells (Omit 000 s) (c)	Total Water Pumped and Purchased (Omit 000 s) (d)	Water Sold To Customers (Omit 000 s) (e)
January	12,336	16,281	28,617	25,874
February	13,004	15,877	28,881	25,192
March	15,431	18,047	33,478	28,303
April	12,421	15,738	28,159	25,339
May	13,473	18,072	31,545	27,055
June	14,847	17,942	32,789	30,446
July	16,252	19,809	36,061	33,205
August	15,030	19,076	34,106	29,876
September	16,825	20,263	37,088	30,762
October	13,764	19,317	33,081	29,782
November	13,062	16,046	29,108	27,248
December	14,517	18,625	33,142	29,127
Total for the year	170,962	215,093	386,055	342,209

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	DECEMBER 31,	
	2016	2015
OPERATING REVENUES		
METERED SALES		
Residential	\$ 2,646,465	\$ 2,545,563
Commercial	415,438	417,093
Agriculture	62,800	64,623
Resale	102,073	102,454
TOTAL METERED SALES	3,226,776	3,129,733
FORFEITED DISCOUNTS	51,453	53,310
MISCELLANEOUS SERVICE REVENUE	39,050	28,443
TOTAL OPERATING REVENUES	3,317,279	3,211,486
OPERATING EXPENSES		
PURCHASED WATER	372,054	365,621
SUPPLY AND PUMPING EXPENSE		
Purchased power	33,182	25,203
Materials and supplies	5,086	4,332
Insurance	7,717	8,087
Transportation	13,026	12,775
Miscellaneous	600	993
Contractual services	91,210	42,833
TOTAL SUPPLY AND PUMPING EXPENSE	150,821	94,223
WATER TREATMENT EXPENSE		
Purchased power	96,513	91,326
Materials and supplies	120,942	148,096
Insurance	8,656	8,087
Transportation	4,776	4,684
Miscellaneous	10,135	3,042
Contractual services	299,149	298,539
Professional services	14,584	13,723
TOTAL WATER TREATMENT EXPENSE	554,755	567,497
GENERAL DISTRIBUTION EXPENSE		
Purchased power	2,195	2,413
Materials and supplies	5,366	3,791
Insurance	8,656	8,087
Transportation	17,481	14,905
Miscellaneous	4,295	3,847
Contractual services	291,620	238,027
TOTAL GENERAL DISTRIBUTION EXPENSE	329,613	271,070
MAINTENANCE EXPENSE		
Transportation	1,984	1,703
Contractual services	80,933	142,777
Distribution	4,907	3,830
Services	10,449	6,412
TOTAL MAINTENANCE EXPENSE	98,273	154,722

(CONTINUED)

Accompanying notes to the financial statements are an integral part of this statement.

**GRAYSON COUNTY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION (CONCLUDED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	DECEMBER 31,	
	2016	2015
CUSTOMER ACCOUNTS EXPENSE		
Bad debt expense	\$ 11,839	\$ 19,491
Materials and supplies	34,683	35,027
Transportation	5,284	7,665
Miscellaneous	4,445	200
Contractual services	114,421	171,332
Customer records	64,656	63,237
TOTAL CUSTOMER ACCOUNTS EXPENSE	<u>235,328</u>	<u>296,952</u>
ADMINISTRATIVE AND GENERAL EXPENSE		
Materials and supplies	25,827	32,166
Insurance	8,656	8,087
Transportation	868	852
Miscellaneous	58,806	49,943
Contractual services	284,353	188,064
Professional services	19,285	13,202
TOTAL ADMINISTRATIVE AND GENERAL EXPENSE	<u>397,795</u>	<u>292,314</u>
DEPRECIATION EXPENSE	834,325	826,167
TOTAL OPERATING EXPENSES	<u>2,972,964</u>	<u>2,868,566</u>
OPERATING INCOME (LOSS)	344,315	342,920
NONOPERATING REVENUES (EXPENSES)		
Miscellaneous income	25,665	27,248
Interest income	3,864	3,990
Line relocation revenue	0	0
Line relocation expense	0	0
Gain (loss) on sale of equipment	0	0
Interest expense	(259,450)	(272,155)
PSC taxes	(6,233)	(6,231)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(236,154)</u>	<u>(247,148)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	108,161	95,772
CAPITAL CONTRIBUTIONS		
Contributions in aid of construction	62,064	36,675
TOTAL CAPITAL CONTRIBUTIONS	<u>62,064</u>	<u>36,675</u>
CHANGE IN NET POSITION	170,225	132,447
TOTAL NET POSITION-BEGINNING	13,197,551	13,065,104
TOTAL NET POSITION-ENDING	<u>\$ 13,367,776</u>	<u>\$ 13,197,551</u>

Accompanying notes to the financial statements are an integral part of this statement.

22000 Grayson County Water District 01/01/2016 - 12/31/2016

Sales For Resale (466) (Ref Page: 30)

Company	Gallons (Omit 000's)	Avg. Rate Per 1000 Gallons (Cents)	Amount
CITY OF CANEVILLE	46,049	\$2.11	\$102,837.00
Total	46,049		\$102,837.00

22000 Grayson County Water District 01/01/2016 - 12/31/2016

Long Term Debt (Ref Page: 22)

Description of Obligation (a)	Issue Date (b)	Mature Date (c)	Interest Expense for Year Rate (d)	Interest Expense for Year Amount(e)	Principal per Balance Sheet Date (f)
KIA LOAN	2001	7-2022	1.8000	\$26,761.00	\$1,330,367.00
KRW LOAN	2009	7-2021	3.1000	\$7,654.00	\$180,000.00
KRW LOAN	2012	1-2034	3.7500	\$108,639.00	\$3,185,000.00
Total			3.0467	\$143,054.00	\$4,695,367.00

22000 Grayson County Water District 01/01/2016 - 12/31/2016

Bonds - Account 221 (Ref Page: 23)

	Par Value of Actual Issue (1)	Cash Realized on Actual Issue (2)	Par Val of Amt. Held by or for Respondent (3)	Actually Outstanding at Close of Year (4)	Interest During Year Accrued (5)	Interest During Year Actually Paid (6)
	\$1,350,000.00	\$1,350,000.00	\$0.00	\$1,198,000.00	\$24,709.00	\$49,830.00
	\$1,990,000.00	\$1,990,000.00	\$0.00	\$1,535,000.00	\$20,818.00	\$43,419.00
	\$525,000.00	\$525,000.00	\$0.00	\$508,000.00	\$6,238.00	\$12,700.00
	\$900,000.00	\$900,000.00	\$0.00	\$867,500.00	\$8,675.00	\$17,680.00
Total	\$4,765,000.00	\$4,765,000.00	\$0.00	\$4,108,500.00	\$60,440.00	\$123,629.00

22000 Grayson County Water District 01/01/2016 - 12/31/2016

Schedule of Bond Maturities (Ref Page: 23)

Bond Numbers (7)	Maturity Date (8)	Interest Rate (9)	Principal Amt (10)	Amounts Paid (11)	Remaining Bonds Outstanding (12)
2005	1-2045	4.1250	\$1,218,000.00	\$20,000.00	\$1,198,000.00
2012	7-2051	4.0000	\$516,500.00	\$6,500.00	\$508,000.00
2012	7-2052	4.0000	\$884,000.00	\$16,500.00	\$867,500.00
2013	1-2027	2.5000	\$1,690,000.00	\$155,000.00	\$1,535,000.00
Total			\$4,308,500.00	\$200,000.00	\$4,108,500.00

(The total of Column 12 must agree with the total of col 4)

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015**

NOTE C – RESTRICTED CASH

The sinking fund is restricted to the payment of principal and interest on long-term debt.

The depreciation fund is restricted to payment for improvements and approved repairs.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE D – CONTRIBUTIONS IN AID OF CONSTRUCTION

These revenue amounts were obtained from placement of meters at previously unsubscribed locations and from governmental grants.

NOTE E – LONG-TERM DEBT

The following bonds and loans were issued through USDA, Rural Development (RD):

<u>Original Amount</u>	<u>Funding Agency</u>	<u>Series Of</u>	<u>Interest Rate</u>	<u>Balance as of Dec. 31,</u>	
				<u>2016</u>	<u>2015</u>
\$1,350,000	RD	2005	4.125%	\$1,198,000	\$1,218,000
\$ 525,000	RD	2013A	2.125%	\$ 508,000	\$ 516,500
\$ 900,000	RD	2013B	2.000%	\$ 867,500	\$ 884,000

These bonds are secured by an exclusive pledge of a fixed portion of the income and revenues derived from the operation of the District's water distribution system and has principal and interest sinking fund requirements.

During 2002, the District had received approval for a Kentucky Infrastructure Authority (KIA) Project Loan not to exceed \$4,000,000. As of December 31, 2003, total draws of \$3,930,850 had been accumulated. This loan bears interest at a rate of 1.8% and is secured by the revenues of the water system. The balance outstanding on this loan as of year end was \$1,330,367. An annual deposit of \$49,000 is required to be deposited into a reserve account. The annual deposits are to be made until the balance reaches \$490,000. As of December 31, 2016 the reserve balance was \$1,082,643.

During 2005, the District received approval for an interim loan from Kentucky Rural Water Finance Corporation not to exceed \$1,350,000. This interim loan will convert to permanent financing through RD upon project completion. This loan bears interest at a variable rate and is secured by revenues of the water system. As of December 31, 2006, total draws of \$1,350,000 had been accumulated. The 2005 series bond was issued through RD in February 2007. Total amounts outstanding at year end were \$1,198,000.

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015**

NOTE E – LONG-TERM DEBT (CONTINUED)

During 2009, the District received a loan from Kentucky Rural Water Finance Corporation in the amount of \$380,000. This loan was received as part of a 2009C series revenue bond. This loan bears interest at an increasing rate with an average of 3.36% and is secured by revenues of the water system. This loan also has principal and interest sinking fund requirements. As of December 31, 2016 the loan balance was \$180,000.

During 2012, the District received a loan from Kentucky Rural Water Finance Corporation in the amount of \$3,680,000. This loan was received as part of a 2012D series revenue bond. This loan was issued to refund the District's series 1995, 1997, and 1999 Rural Development Bonds. This loan bears interest at a variable rate ranging between 2.75% and 4% over the life of the bond and is secured by revenues of the water system. This loan also has principal and interest sinking fund requirements. As of December 31, 2016 the loan balance was \$3,185,000.

During 2012, the District received approval for an interim loan from Kentucky Rural Water Finance Corporation not to exceed \$1,425,000. This interim loan was converted to permanent financing through RD upon project completion. As of December 31, 2013 total draws of \$1,425,000 had been accumulated. The 2013A and 2013B series bonds were issued through RD. Total outstanding amounts at year end were \$1,375,500.

During 2013, the District received a loan from Kentucky Rural Water Finance Corporation in the amount of \$1,990,000. This loan was received as part of a 2013B series revenue bond. This loan was issued to refund the District's series 2001D and 2004B Kentucky Rural Water Loans. This loan bears interest at a variable rate ranging between 2.30% and 3.30% over the life of the bond and is secured by revenues of the water system. This loan also has principal and interest sinking fund requirements. As of December 31, 2016 the loan balance was \$1,535,000.

Current year long-term debt activity is as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance
Rural Development Bond, 2005	\$ 1,218,000	\$ 0	\$ 20,000	\$ 1,198,000
Rural Development Bond, 2013A & B	1,400,500	0	25,000	1,375,500
Kentucky Infrastructure Authority Loan	1,538,518	0	208,151	1,330,367
Kentucky Rural Water Loan	210,000	0	30,000	180,000
Kentucky Rural Water Loan	3,320,000	0	135,000	3,185,000
Kentucky Rural Water Loan	1,690,000	0	155,000	1,535,000
	<u>\$ 9,377,018</u>	<u>\$ 0</u>	<u>\$ 573,151</u>	<u>\$ 8,803,867</u>

**GRAYSON COUNTY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015**

NOTE E – LONG-TERM DEBT (CONCLUDED)

Principal of various amounts are due at least annually in each of the years through 2052. The principal due for each of the next five years and thereafter is as follows:

Year	Amount
2017	\$ 588,415
2018	578,746
2019	589,648
2020	599,618
2021	620,662
2022-2026	2,082,778
2027-2031	1,472,500
2032-2036	985,000
2037-2041	481,500
2042-2046	498,000
2047-2051	255,500
2052	51,500
	\$ 8,803,867

Principal and interest requirements for the next five years and thereafter are as follows:

Year	Amount
2017	\$ 840,073
2018	817,078
2019	813,718
2020	809,231
2021	815,388
2022-2026	2,852,671
2027-2031	1,958,795
2032-2036	1,235,415
2037-2041	631,949
2042-2046	564,084
2047-2051	274,084
2052	52,028
	\$11,664,514

NOTE F – CONCENTRATION OF CREDIT RISK

The District extends credit to all citizens who live within the geographic location of the District and who utilize the utility system. Credit losses may be minimal and are generally within management's expectations.

Date	Series 2005		Series 2012		Series 2012		Series 2012 D		Series 2013 B		Total USDA/KRW		KIA Loan		Total		Total Cash Payments				
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest					
1-Jan 2016	20,000	25,121	8,500	5,488	16,500	8,740	55,332	22,601	155,000	22,601	335,000	121,208	1-Jun 2016	103,609	13,847	2016	573,151	264,703	837,854		
1-Jan 2017	21,000	24,709	9,000	5,398	16,500	8,675	53,307	20,818	155,000	20,818	30,000	116,734	1-Jun 2017	104,542	12,914	2017	588,415	251,658	840,073		
1-Jan 2018	22,000	24,276	9,000	5,302	17,000	8,510	51,907	19,636	135,000	19,636	341,500	112,892	1-Jun 2018	105,483	11,973	2018	576,746	238,332	815,078		
1-Jan 2019	23,000	23,822	9,500	5,206	17,500	8,340	49,732	17,483	135,000	17,483	35,000	107,359	1-Jun 2019	106,356	11,066	2019	589,648	224,070	813,718		
1-Jan 2020	24,000	23,248	9,500	5,105	17,500	8,165	47,482	15,931	140,000	15,931	35,000	102,077	1-Jun 2020	109,332	8,124	2020	599,618	209,613	809,231		
1-Jan 2021	25,000	22,853	10,000	5,004	18,000	7,990	45,232	14,321	145,000	14,321	35,000	96,894	1-Jun 2021	112,310	5,146	2021	620,662	194,726	815,388		
1-Jan 2022	26,000	22,337	10,000	4,898	18,500	7,810	43,101	12,291	140,000	12,291	35,000	91,256	1-Jun 2022	114,341	3,115	2022	586,278	178,820	765,098		
1-Jan 2023	27,000	21,801	10,500	4,792	19,000	7,625	40,701	10,331	140,000	10,331	361,500	85,249	1-Dec 2022	115,370	2,086	2023	361,500	165,122	526,622		
1-Jan 2024	28,000	21,244	10,500	4,680	19,000	7,455	38,143	8,371	145,000	8,371	372,500	79,873	1-Dec 2023	116,408	1,048	2024	372,500	154,076	526,576		
1-Jan 2025	30,000	20,666	11,000	4,569	19,500	7,245	35,423	6,250	145,000	6,250	380,500	74,153			2025	380,500	144,146	524,646			
1-Jan 2026	31,000	20,048	11,000	4,452	20,000	7,050	32,404	4,039	135,000	4,039	382,000	67,993			2026	382,000	129,779	511,779			
1-Jan 2027	32,000	19,408	11,500	4,335	20,500	6,850	29,213	2,913	120,000	1,980	374,000	61,786			2027	374,000	117,233	491,233			
1-Jan 2028	34,000	18,748	11,500	4,213	21,000	6,645	25,841	2,841			261,500	55,446			2028	261,500	106,398	367,898			
1-Jan 2029	35,000	18,047	12,000	4,091	21,000	6,435	22,379	2,379	200,000	18,829	268,000	50,952			2029	268,000	97,295	365,295			
1-Jan 2030	37,000	17,325	12,000	3,963	21,500	6,225	18,829	1,829	210,000	14,971	280,500	46,343			2030	280,500	87,721	368,221			
1-Jan 2031	39,000	16,562	12,500	3,836	22,000	6,010	14,971	1,020	215,000	11,020	288,500	41,378			2031	288,500	77,649	366,149			
1-Jan 2032	40,000	15,758	13,000	3,703	22,500	5,790	11,020	6,745	145,000	6,250	300,500	36,271			2032	300,500	67,079	367,579			
1-Jan 2033	42,000	14,933	13,000	3,565	23,000	5,565	6,745	2,280	135,000	4,039	313,000	30,808			2033	313,000	55,915	368,915			
1-Jan 2034	44,000	14,066	13,500	3,427	23,500	5,335	2,280		120,000	2,280	201,000	25,108			2034	201,000	46,650	247,650			
1-Jan 2035	46,000	13,159	14,000	3,283	24,000	5,100					84,000	21,542			2035	84,000	41,747	125,747			
1-Jan 2036	48,000	12,210	14,000	3,134	24,500	4,860					86,500	20,204			2036	86,500	39,025	125,525			
1-Jan 2037	50,000	11,220	14,500	2,986	25,000	4,615					89,500	18,821			2037	89,500	36,206	125,706			
1-Jan 2038	53,000	10,189	15,000	2,832	25,500	4,365					93,500	17,386			2038	93,500	33,264	126,764			
1-Jan 2039	55,000	9,096	15,500	2,672	26,000	4,110					96,500	15,878			2039	96,500	30,197	126,697			
1-Jan 2040	57,000	7,961	15,500	2,508	26,500	3,850					99,000	14,319			2040	99,000	27,032	126,032			
1-Jan 2041	60,000	6,786	16,000	2,343	27,000	3,585					103,000	12,714			2041	103,000	23,750	126,750			
1-Jan 2042	63,000	5,548	16,500	2,173	27,500	3,315					107,000	11,036			2042	107,000	20,322	127,322			
1-Jan 2043	66,000	4,249	17,000	1,998	28,000	3,040					111,000	9,287			2043	111,000	16,751	127,751			
1-Jan 2044	69,000	2,888	17,500	1,817	28,500	2,760					115,000	7,465			2044	115,000	13,036	128,036			
1-Jan 2045	71,000	1,465	17,500	1,631	29,000	2,475					117,500	5,571			2045	117,500	5,571	123,071			
1-Jan 2046			18,000	1,445	29,500	2,185					47,500	3,630									
1-Jan 2047			18,500	1,254	30,500	1,890					49,000	3,144									
1-Jan 2048			19,000	1,057	31,000	1,585					50,000	2,662									
1-Jan 2049			19,500	855	31,500	1,275					51,000	2,130									
1-Jan 2050			20,000	648	32,000	960					52,000	1,608									
1-Jan 2051			20,500	436	33,000	640					53,500	1,076									
1-Jan 2052			20,500	218	31,000	310					51,500	528									
1-Jul 2052	1,218,000	914,365	516,500	233,140	884,000	366,390	0	0	210,000	28,850	3,320,000	1,192,751	1,890,000	284,298	7,838,500	3,019,794	1,538,518	105,866	9,022,518	3,095,834	12,118,352

**GRAYSON COUNTY WATER DISTRICT
2016 DEPRECIATION SCHEDULE**

	DATE	METHOD/ LIFE	COST	ACCUM DEPR	CURRENT DEPR	BOOK VALUE
LAND AND LAND RIGHTS						
Land and Land Rights			224,236	-	-	224,236
1/2 Acre near Water Treatment Plant			21,500	-	-	21,500
Pump Station Land - Cave Creek Rd	4/8/2015		10,000			10,000
			<u>255,736</u>	<u>-</u>	<u>-</u>	<u>255,736</u>
UTILITY PLANT AND LINES						
Structures and Improvements			388,023	79,252	9,701	299,070
Paving Garage Area	6/17/2010	SL	21,150	2,998	529	17,623
Paving Garage Area	10/12/2012	SL	1,235	98	31	1,106
Heat Pump for Garage	7/1/2016	SL	6,400	-	160	6,240
SUB-TOTAL			<u>416,808</u>	<u>82,348</u>	<u>10,420</u>	<u>324,040</u>
Pumping Equipment			359,914	152,203	8,998	198,713
Water Treatment Equipment			4,266,289	1,372,672	106,657	2,786,960
WTP Equipment	1/19/2010	SL	3,100	493	78	2,530
4X4 Scales	2/2/2010	SL	3,150	491	79	2,580
275 Gallon Double Wall Tank	2/2/2010	SL	2,500	391	63	2,047
Gas Grill	8/1/2011	SL	899	795	180	(76)
WTP Equipment	1/25/2013	SL	2,510	753	251	1,506
Pulsatron Pump	3/19/2013	SL	973	275	97	601
WTP Controller and Sensor	4/22/2013	SL	1,752	481	175	1,096
WTP Equipment	10/21/2013	SL	16,338	3,676	1,634	11,028
WTP Project Upgrade	3/1/2014	SL	1,831,328	83,936	45,783	1,701,609
MISC Pump Equip	4/4/2014	SL	2,950	129	74	2,747
Spectrophotometer	1/31/2015	SL	8,642	216	864	7,562
Chlorine Analyzer	3/20/2015	SL	3,157	66	316	2,775
Chlorine Analyzer	3/20/2015	SL	3,157	66	316	2,775
WTP Pumps	7/1/2016	SL	5,187	-	259	4,928
SUB-TOTAL			<u>6,151,932</u>	<u>1,464,440</u>	<u>156,825</u>	<u>4,530,667</u>
Distribution Reservoirs and Standpipes			3,365,282	1,060,617	84,132	2,220,533
Transmission and Distributions Mains			14,584,722	6,305,826	364,618	7,914,278
Project 17 Extension	12/31/2010	SL	317,903	40,623	7,948	269,332
Renfro Rd Extension	1/1/2010	SL	9,576	1,514	239	7,823
Clarkson School	8/31/2010	SL	16,164	2,245	404	13,515
Green Farm Phase II	12/31/2010	SL	81,513	10,416	2,038	69,059
Project 18 Extension	9/1/2015	SL	177,629	1,480	4,441	171,708
SUB-TOTAL			<u>15,187,507</u>	<u>6,362,104</u>	<u>379,688</u>	<u>8,445,715</u>
Services			1,744,819	593,992	43,620	1,107,207
			<u>1,744,819</u>	<u>593,992</u>	<u>43,620</u>	<u>1,107,207</u>
Meters and Meter Installations			1,577,304	733,244	39,433	804,627
Meters in service	6/30/2011	SL	12,605	1,418	315	10,872
Meters Installed	6/30/2011	SL	32,009	3,600	800	27,609
Meter Vault at Lawler	1/15/2012	SL	2,200	220	55	1,925
Meters Installed	6/30/2012	SL	99,783	8,732	2,495	88,556
Meters in service	6/30/2012	SL	21,882	1,915	547	19,420
Meters Installed	6/30/2013	SL	78,416	13,070	5,228	60,118
Meters in service	6/30/2013	SL	5,911	370	148	5,393
Meters Installed	6/30/2014	SL	89,110	3,342	2,228	83,540
Meters in service	6/30/2014	SL	38,907	1,459	973	36,475
Meters Installed	6/30/2015	SL	101,367	1,267	2,534	97,566
Meters in service	6/30/2015	SL	42,862	536	1,072	41,254

Meters Installed	6/30/2015	SL	77,620	-	970	76,650
Meters in service	6/30/2016	SL	51,747	-	647	51,100
			<u>2,231,723</u>	<u>769,173</u>	<u>57,443</u>	<u>1,405,107</u>
Hydrants			67,955	40,565	1,699	25,691
Other Plant and Misc Equipment			302,342	91,706	7,559	203,077
SCADA Equipment	6/30/2011	SL	11,480	5,166	1,148	5,166
SCADA Radios	1/17/2014	SL	2,879	576	288	2,015
SCADA Equipment	4/4/2014	SL	2,750	481	275	1,994
SCADA Equipment	10/12/2014	SL	4,726	591	473	3,662
SUB-TOTAL			<u>324,177</u>	<u>98,520</u>	<u>9,742</u>	<u>215,915</u>
UTILITY EQUIPMENT AND OTHER						
Office Furniture and Equipment			42,927	32,897	4,293	5,737
SCADA Computer	5/26/2010	SL	885	1,003	177	(295)
Laptop of Truck	11/5/2010	SL	1,075	1,111	215	(251)
SCADA Computer	2/10/2012	SL	859	673	172	14
Dell Laptop for Steve Hill	12/24/2012	SL	1,083	669	217	198
Dell Laptop and Docking Station	9/30/2014	SL	2,663	711	533	1,419
SUB-TOTAL			<u>49,492</u>	<u>37,064</u>	<u>5,606</u>	<u>6,822</u>
Transportation Equipment			287,069	210,334	28,707	48,028
2011 Ford F-150	4/30/2011	SL	21,992	10,445	2,199	9,348
2012 9' Bed for Ford f-450	12/31/2011	SL	8,999	3,675	900	4,424
2012 Ford F-450	2/15/2012	SL	41,207	16,140	4,121	20,947
2013 Ford Utility Truck and Bed	3/18/2013	SL	38,015	10,772	3,802	23,442
2015 Toyota Tacoma	1/7/2015	SL	20,364	2,036	2,036	16,292
2015 Toyota Tacoma	1/8/2015	SL	21,364	2,136	2,136	17,092
2017 Chevrolet Colorado	12/27/2016	SL	25,250	-	210	25,040
			<u>464,260</u>	<u>255,538</u>	<u>44,111</u>	<u>164,611</u>
Tools, Shop and Garage Equipment			60,492	45,093	6,049	9,350
Hydraulic Saw	5/14/2012	SL	3,955	2,834	791	330
			<u>64,447</u>	<u>47,927</u>	<u>6,840</u>	<u>9,680</u>
Communication Equipment			7,959	5,834	796	1,329
Miscellaneous Equipment			197,617	141,533	19,762	36,322
GEOSync Equipment	5/25/2010	SL	7,730	4,380	773	2,577
GEOSync Mapping Software	3/1/2012	SL	13,345	5,117	1,335	6,894
CAT Minin Excavator	5/2/2015	SL	25,350	4,014	2,535	18,801
SUB-TOTAL			<u>244,042</u>	<u>155,044</u>	<u>24,404</u>	<u>64,594</u>
CAPITAL ASSET TOTALS			30,936,053	11,125,369	834,325	18,976,359

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